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DEPUTY DIRECTOR FRANK CARLUCCI: ...I understand and appreciate the fact your sessions are very informal. So let me try and tick off just a few thoughts on the major problems that are facing the Intelligence Community today. And as I try to sort them out in my own mind, I think they come down to approximately four problems.

Number one is the nature of the external threat. Number two, the changing character of the intelligence business. And number three, I will refer to, briefly, rather directly, I guess, the need to reconcile the demands of a secret agency to the precepts of a free society, a free and open society. And number four, which follows from number three our ability to maintain the secrets which we obtain.

The first doesn't need a lot of elaboration.... But in the early 1970s, I dare say, that a number of us held out some hope that our principal adversary might have changed his ways and we could reach some sort of understanding. I suppose the word "detente" is still not dead. But certainly there's a changed perception of the nature of the adversary. In fact, it was only recently brought home to us two weeks ago with the invasion of Cambodia by Vietnam, which was clearly acting as a Soviet proxy. Soviet adventurism in Africa serves as an all-too-visible reminder that communism is an imperialistic philosophy. And I was able to witness this personally in Portugal. And when we ask about the fact that the Soviet Union over the past ten years has devoted enormous resources to what we call defense, but which when you look at the Soviet Union could better be called offensive weapons, we have a serious problem.

We in the United States spend approximately six percent of our GNP on defense. The Soviet Union spends approximately twice that. Our defense effort, in real terms, has been going down over the past ten years. Theirs has been going up at a rate, a real rate of about four or five percent. Measured in terms of what we would have to spend to buy what they are equipping their forces with, their effort is probably somewhere in the neighborhood of 35% to 40%.

What does that mean in terms of the intelligence world? Well, the first thing we have to recognize is that we are now, indeed, in an era of what is called strategic parity; in more graphic terms, a mutual balance of terror. No longer are we in a position, as we were some five or ten years ago, when we could afford to make a mistake, where we had a margin. Now we have to be very careful. We have to keep our eye on them very closely. And every little piece of information can be important. It might be the critical margin of difference. And that's why you see our military commanders these days so interested in what they call indications of warning, early warning systems, because the difference between a couple of days' notice and ten days' notice can mean a lot in that strategic pattern.

It's quite clear, if you read what the historians have to say, that there was available evidence the Japanese were going to attack and that the Japanese intended to turn back if they were discovered. But there was no organization to put all the pieces of evidence together, what the Japanese were saying in their codes, what the Japanese Ambassador was reporting, the fact that some of their ships couldn't be located. If anybody had sat down and pieced all these

together, Pearl Harbor might not have happened. And the result of that, of course, was the information of the OSS and a successor agency, the Central Intelligence Agency.

Since those days the nature of the intelligence business has changed rather dramatically, which now brings me to my second point. Sure, we still have to worry about the strategic balance, and we have to count the Soviet missiles, although just counting missiles doesn't mean very much these days. You've got to count a lot of other things. And yet we have to look at individual countries. But we also have to look at a lot more. We have to look at regions. We have to look at evolution. What is happening, for example, in the non-aligned movement? Where will that be five years from now? What is the change in character of the non-aligned movement?

Or if you look at a situation that's been every day in the papers, Iran, it does no good to analyze Iran in isolation. We just came back from Thailand where they're worried about Iran. And indeed, if you look at developments in that whole area, you start with Afghanistan. Then you can run all the way to Angola. And each development in one country is linked with developments in another country. Nothing is simple. There is no master plot, but there are an awful lot of opportunities, and intelligence has to try and assess what those opportunities are.

There're a lot of issue oriented questions that we have to deal with that never occurred to us at the time the Central Intelligence Agency was established. We see a lot about the SALT treaty, SALT II. The central issue in the Senate on SALT II is going to be the verification question. And that's an intelligence question: how much information can you get in terms of their capability?

Or to look at another area, nuclear proliferation. Our policy is to try and stop it. You can't stop it unless you know what you're doing. And there are a number of countries in the world that are developing a nuclear capacity and doing it covertly.

Still other areas, one of which touches us rather closely: the question of drug traffic. Most of our information on drug trafficking overseas comes from Central Intelligence Agency sources. Or terrorism, a phenomenon which, fortunately, has not touched the United States, but has hit our people overseas. And the only way, the best way to stop terrorist groups is to penetrate them, to know where they're going to strike. That's a whole new kind of operation, but we have been successful. And the fact is that we have stabilized it through our intelligence capacity.

Or take an area that those of you in the economic sector are familiar with, the whole question of energy and natural resources throughout the world. A couple of years ago nobody thought of those as vital to our national security. Now they're subjects of our attention every day. And some of the studies that the Central Intelligence Agency has put out on oil reserves are controversial. But I don't think you can deny the fact that we need to know in the interests of our security.

And finally, there's a whole new technical worldof intelligence collection. And there are those who say "Oh, you have these marvelous systems to study everything that's going on." You see newspaper articles that say we can tell when people have shaved and when they haven't shaved. Yeah, we do have the capability, but that isn't sufficient. Thosekinds of systems can tell you what's happening today and what happened yesterday, more or less, but they can't tell you what people's

intentions are. And if we are going to protect our security, most of all we have to know what people's intentions are. And that means the human element. The human element will always play an important role in the intelligence business.

And I suppose it is this human element that has led us into some of the controversies we've seen the past four or five years. That brings me into my third area of consideration, the whole question of trying to define the role of a secret agency in a free society. You've heard a lot of criticism about the Central Intelligence Agency, other intelligence agencies; some of it accurate, some of it false. Unfortunately in an organization like the CIA, you're never able to deny certain charges, because obviously you'd be denying every charge, but maybe one or two that you can't deny, and in so confirming, you may put lives at stake.

But there is, there has been created, an impression in this country that the CIA is some kind of rogue elephant. And I don't want to try and answer directly those charges. But let me just for the record indicate to you what some of the committees are quoted as saying. The Church Committee itself said that the rogue elephant charge is a distortion. The Pike Committee said, and I quote: "All evidence suggests that the CIA, far from being out of control, has been utterly responsive to instructions of Presidents and National Security Advisers." Senator Inouye, the first Chairman of the Senate Select Committee on Intelligence, said "There is no question that there're been a number of abuses of power, mistakes in judgments and failures

by the intelligence agencies. In almost every instance, the abuses that have been revealed were the result of directions from above, including Presidents and Secretaries of State. Further, in almost every instance, some members of both houses of Congress assigned the duty of oversight were knowledgeable about these activities."

So to blame the Central Intelligence Agency for some of these activities is the equivalent of blaming the Marines for the landing in Lebanon in the mid 1950s, or the landing in the Dominican Republic. But be that as it may, those of us in leadership positions in the CIA recognize that we have a (words unintelligible), and we've tried to move to correct it. And I can stand before you tonight and, in all honesty, say that we do have a sufficient number of safeguards. One of President Carter's first acts, which followed on a similar act by President Ford, was to establish an executive order regulating the intelligence agencies, indicating what the limits of their programs were. He also established an Intelligence Oversight Board, consisting of three distinguished Americans -- Bill Farmer -- Tom Farmer, excuse me, Washington lawyer Tom Farmer, former Senator Albert Gore, and your own ex-Governor, Bill Scranton, empowered to hear complaints of abuse from anybody, anybody in this room, or anybody in the Central Intelligence Agency, or any other intelligence agency, without reference to his supervisor. And that board reports only to the President.

We also have established such mechanisms, strengthened such mechanisms for the expression of grievances. And perhaps most importantly, the Congress moved to strengthen its oversight mechanism. And we welcome congressional oversight. And by and large, we have found this constructive. They don't always agree with us. Indeed, they're

liable to cut off our thumbs. We may disagree. But the more we learn about the itelligence business, the more we find that that kind of endorsement by the Congress is helpful.

And we would like to take it one step further and do something that has never been done in any other country in the world. And that is try and develop a legislative charter for the Intelligence Community. I'm not sure this could be done. I'm not sure the current Congress is going to be in a mood to do it. But I think it would be helpful for our people to know that the representatives of the American public have put the stamp of approval on our activities, have tried to define certain processes and certain authorities in practice. But it ought to be broad legislation and not micro-management. And indeed we do have examples around of congressional micro-management. Just to cite one case, there is something called special activities, which, to most people, used to be called covert action. Congress has agreed that the United States ought to have some option between a diplomatic note of protest and sending in the Marines. That is, we ought to be able to help some of our friends without announcing it to the world. But we have arrived at a point where we have a contradiction in terms, because every time we want to engage in a covert operation, we have to get a presidential determination and then brief seven committees of Congress, up to 140 members of Congress. And we get ourselves into an absurd situation.

Not so long ago during the Moro kidnapping, we got a request from the Italian government for some U.S. assistance. They wanted some experts on terrorism. They called and said "Do you have a psychiatrist who understands terrorism?" And we said yes. "Well,

will you send him to us?" I said "Sure." Our general counsel came in and said "no, no, you can't do it." I said "Why not?" He said "Because that's a special activity." I said "What do you mean?" "Well, to do that, you've got to go to the President," who happened to have been in Brazil at the time," get a presidential finding, and then go brief your seven members of Congress." So I called the State Department. I said "Do you have a psychiatrist who understands terrorism?" And they said yes. I said "Will you please put him on an airplane and send him to Italy?" which they did, and the problem was solved.

But I can think of even more difficult situations where, quite frankly, we have been hobbled by these kinds of restrictions. Let's say in country "X" there's just been an election, a democratic election. A group of generals don't like the candidate and they're toying with the idea of overthrowing his election. And we have an agent in that country that happens to be a general. And he comes to us and says "Should I go with those generals who are plotting the coup, or should I support the election?" And we say, "Well, wait a minute; we've got to go back to Washington, have our meeting of the National Security Council, get a presidential determination, brief our committees of Congress, and then we'll come back and tell you." An absolutely absurd situation, but, legally, that's the kind of position we're in.

And hopefully in this legislative session of Congress we can straighten some of that out.

Now, the question of defining the role of the agency in a free society is perhaps the most complex. The most important as far as

maintaining our intelligence capability is concerned, is our ability to protect our sources and methods. Now to most of us that's very simple. Nobody overseas is going risk their lives by giving you information if they think they're going to read about it in The Washington Post, the New York Times or some congressional hearing. It is axiomatic that the greater the number of people who know a given piece of information, the more likely it is (words unintelligible) to have access to what is going on in the intelligence business today.

And indeed, we have our own problems with former CIA people who decide they want to write books. Or to take it to extremes, a former CIA agent named Agee, who is now making a career out of publishing on DuPont Circle a bulletin, a monthly bulletin called "Covert Action," designed exclusively to expose the names of CIA officers abroad. And the light of some of the violence that has taken place, we have some concern about this. But our laws to deal with this kind of situation are totally inadequate. It's a criminal offense to give out crop futures in the Department of Agriculture, or to give out information from the Department of Commerce, or the Controller of the Currency. There are some thirty laws which automatically make it a criminal offense to give out information from certain government agencies. There is no such law with regard to national security.

In order to prosecute somebody for giving out national security information revealing the name of a CIA agent, for example, you have to prove intent to harm the United States, intent to commit sabotage. And that, in turn, for those of you who are lawyers, in terms of the New York Times' definition, is extremely difficult to prove.

So the question is very simple. We, the American people, have to decide whether we want to have an intelligence capability. And if we want to have it, we have to recognize that there has to be some secrets, that things like the Freedom of Information Act don't really apply for an intelligence agency. We're willing to give out our finished product to the publisher. The very concept of an intelligence agency to open its files or its sources to whomever writes in, and usually it's people with a vested interest who write in -- and we spend 2.6 million dollars a year and 109 man years answering these requests -- is alien to the idea of intelligence.

And if we decide we want to have an intelligence capability, then we have to decide that there should be a certain amount of secret.

Now contrary to what the press would have you believe, secrecy is not a concept that is totally new to the American society. There's the lawyer-client relationship, the doctor-patient relationship. A number of you are bankers, and you have a certain amount of secrecy in your business. There's the grand jury concept. Why should anyone who wants to give information to the U.S. Government be denied that same right to secrecy? Indeed, we find recently that the press is insisting on its own right of secrecy, to protect their sources. And ladies and gentlemen, we ask nothing more. We sympathize with them. Except there're a couple of differences. Their claim to be able to defend their right to the secrecy of their sources is based on a constitutional interpretation, which is still open to some litigation. Ours is based on a very specific practice that says we have an obligation to protect

our sources. But perhaps even more importantly, if the name of their source gets out, they lose information. In many cases if the names of our sources get out, we lose lives. And I can assure you that that has happened.

I'm frequently asked how we stand up against our adversary in terms of the intelligence business. I think we have a better analytical capability, because they carry an awful lot of ideological baggage. And part of the name of the game of intelligence is bringing bad news to the decision-makers. It's a lot easier to bring bad news to President Carter than it is to bring bad news to President Brezhnev. So we suspect that their analysis has a certain distortion.

All in all, we think that we're ahead. But we're going to work very hard to stay ahead.

And then the fourth thing that I think is crucial -- let me close on this thought. Coming down on the plane I read the Wall Street Journal editorial. It said in effect, we've been worrying a lot about the protection of individual liberties. And that's very good, and I agree with it. But we also have to be worrying about the competence of our intelligence organizations. And I agree with that. That could be vital for us too. I could assure you that we have an awful lot of talent and dedicated people who work with very little fame or glory. Many of them can't even tell their families what they're doing. They work because they think they're doing so in the best interests of the country. It's very hard for us to go out and say exactly what they're doing. But I can assure you that they're doing very good work and that they merit the support of the American people. And with this support, I am sure that we can continue to keep our intelligence organization the most effective in the world. Thank you very much.